

ISSUE DATE: March 11, 1996

DOCKET NO. P-426, 405, 407, 421, 430, 520/CP-91-821

ORDER AUTHORIZING ONE-TIME RECOVERY OF NONRECURRING COSTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs  
Tom Burton  
Marshall Johnson  
Dee Knaak  
Don Storm

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for Extended Area  
Service from the Webster Exchange to  
Minneapolis/St. Paul Metropolitan Calling  
Area

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**PROCEDURAL HISTORY**

On October 21, 1991, subscribers in the Webster exchange of Scott-Rice Telephone Company (Scott-Rice) filed a petition for extended area service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (MCA).

On October 29, 1991, the Minnesota Department of Public Service (the Department) requested Scott-Rice to file a traffic study for the Webster-MCA route.

On December 24, 1991, Scott-Rice filed the study.

On December 31, 1991, the Department recommended that the Commission find that the Webster petition meets the adjacency and traffic criteria of the EAS law. The Department further recommended that the Commission order the involved telephone companies to file revenue requirement studies and proposed rates.

During 1992, the Commission, in conjunction with industry representatives and the Department, developed a traffic study methodology acceptable to all parties.

On July 26, 1993, the Commission issued an Order requiring the affected telephone companies in this matter to file cost studies and proposed rates. During November 1993, the companies filed the required information.

On February 17, 1994, the Commission issued an Order requiring the companies to refile cost studies and proposed rates based on a stimulation factor of 4. During March and April 1994, the revised cost studies and rates were filed.

On March 22, 1994, Scott-Rice filed its lower-priced alternative.

On May 20, 1994, the Department submitted its report and recommendation.

On December 7, 1994, the Commission issued its ORDER APPROVING A LOWER-PRICED ALTERNATIVE AND ADOPTING RATES FOR POLLING in this matter.

On May 15, 1995, the Commission issued its ORDER CERTIFYING POLLING RESULTS AND DIRECTING INSTALLATION OF EAS BETWEEN WEBSTER AND THE MCA. Ordering Paragraph 3 of the Order stated:

If recovery of nonrecurring costs is sought, Scott-Rice must file a request therefor at least 120 days before the planned implementation date. The Department of Public Service shall have 30 days to comment on the proposed charges.

On December 20, 1995, Scott-Rice filed a timely proposal to recover polling costs. The planned implementation date is May 1, 1996.

On March 5, 1996, the Commission met to consider this matter.

### **FINDINGS AND CONCLUSIONS**

In this case, Scott-Rice has requested recovery of several different costs totaling \$5,091.30 or \$7.66 per subscriber. The Company included amounts for programming costs, regulatory charges, and polling costs.

#### **Polling Costs**

The Commission first addressed the recovery of EAS polling costs in a January 25, 1991 Order.<sup>1</sup> In that Order the Commission adopted guidelines for setting EAS rates in four petitions seeking EAS to the Twin Cities metropolitan calling area (the MCA). The Commission stated that it would review the companies' proposed one-month surcharge plans (with supporting documentation) and permit the companies to recover all their non-recurring EAS costs except the postage necessary to return the EAS ballots to the Commission through a one-time surcharge.

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<sup>1</sup> Docket Nos. P-405, 421/CP-86-55; P-520, 421/CP-86-537; P-421, 407/CP-87-536; P-407, 421, 430, 405, 426/CI-90-440, ORDER ADOPTING GUIDELINES FOR EXTENDED AREA SERVICE RATES FOR THE BELLE PLAINE, NEW PRAGUE, WATERTOWN AND NEW GERMANY EXCHANGES AND VARYING TIME FOR FILING FOR RECONSIDERATION.

Subsequently in those dockets on June 8, 1992, the Commission issued its ORDER SETTING SURCHARGES. In that Order, the Commission, approved the companies' proposals to recover polling costs minus return postage costs and noted that recovery of such costs had been specifically allowed in the forementioned January 25, 1991 Order.<sup>2</sup>

### **Other Non-Recurring Costs**

The petition filed by Scott-Rice in this matter raises the question whether programming costs and regulatory charges associated with the EAS petition may also be recovered in the one-time surcharge to Webster subscribers.

In its October 16, 1992 ORDER ACCEPTING COMMENTS, DISAPPROVING NON-RECURRING CHARGES, AND REQUIRING FURTHER FILINGS in Docket No. P-427, 421/CP-85-652, the Commission found that such costs were not recoverable through the one-time surcharge.

In that case, Sherburne County Rural Telephone Company (SCRTC) included all non-recurring accounting, legal, engineering, regulatory and labor costs associated with the Zimmerman EAS proceeding in its proposed one-time surcharge. The Commission agreed with the Department that many of the costs submitted by SCRTC, such as regulatory, legal, and accounting costs are simply part of the regulatory "price" paid for the benefit of providing telephone service in an exclusive local service territory. In its Order, the Commission stated:

In [the June 8, 1992 ORDER SETTING SURCHARGES] the Commission found that non-recurring charges for polling costs, network conversion costs, and in some cases, traffic stimulation costs, could be recovered by LECs.

The Commission continues to feel that the aforementioned costs may appropriately be submitted for recovery of non-recurring costs associated with the provision of EAS. Unlike such categories as regulatory costs or accounting or legal fees, these types of costs are clearly one-time and EAS-specific. These costs, unlike day to day expenses incurred by the company, are properly absorbed by the ratepayers who will benefit from the implementation of EAS.

Should subscribers in Zimmerman vote in favor of EAS to the MCA, the Commission will require SCRTC to refile its estimated non-recurring costs for consideration by the Commission. SCRTC must limit these costs to polling costs, non-recurring labor costs associated with the conversion of the network from toll to EAS, and EAS usage stimulation study costs, .... Order at page 17.

### **Commission Action**

The analyses of the recoverability of non-recurring charges in the previously cited Orders are

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<sup>2</sup> See also: In the Matter of a Petition for Extended Area Service Between the Zimmerman Exchange and the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-427, 421/CP-85-652, ORDER APPROVING ONE-TIME CHARGE TO RECOVER POLLING COSTS (January 3, 1995).

sound. The Commission finds that Scott-Rice's costs should be recovered in the same manner in this docket. The Commission, therefore, will grant Scott-Rice's request to recover its balloting costs (minus the cost of return postage) but will disallow one-time recovery of the programming and regulatory costs. This will result in a one-time charge of \$1.21 for the Webster exchange.

Because this one-time charge will not be readily understood by telephone customers, the Commission will require Scott-Rice to send an explanation of the charge in a customer notice and will require the Company to obtain approval for the wording of the notice from Commission Staff prior to issuing that notice. To expedite this process, the Company will be directed to file its proposed notice with Commission Staff within 20 days of the date of this Order.

### **ORDER**

1. Scott-Rice Telephone Company is hereby permitted to recover the costs of EAS balloting incurred in this matter, less the cost of return postage, as a one-time charge to its subscribers in the Webster exchange. The specific amount authorized to be recovered per access line for this reason is \$1.21.
2. Within 20 days of this Order, the Company shall submit for Commission Staff review a proposed customer notice explaining the non-recurring charge.
3. The Company shall not include the charge in bills prior to receiving Commission Staff approval for the wording of the notice and mailing that approved notice to its Webster subscribers.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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